

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**

**REPORT OF AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Bergen Municipal Employee Benefits Fund  
9 Campus Drive, Suite 216  
Parsippany, New Jersey 07054

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Bergen Municipal Employee Benefits Fund (the "Fund") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Bergen Municipal Employee Benefits Fund's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bergen Municipal Employee Benefits Fund as of December 31, 2015 and 2014, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


***Other Information***


Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bergen Municipal Employee Benefits Fund's basic financial statements as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated May 19, 2016 on our consideration of the Bergen Municipal Employee Benefits Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen Municipal Employee Benefits Fund's internal control over financial reporting and compliance.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
May 19, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

## Management Discussion and Analysis

This section of the annual financial report of the Bergen Municipal Employee Benefits Fund (the "BMED" or the "Fund") presents a discussion and analysis of the financial performance of the Fund for the year ended December 31, 2015. Please read it in conjunction with the basic financial statements, the notes and supplementary schedules that follow this section.

### Overview of Basic Financial Statements

The Fund's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Fund is to provide medical and other health coverage for the members of the Fund. The Fund maintains separate enterprise funds by policy years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

*Statement of Net Position* – This statement presents information reflecting the Fund's assets, liabilities, and net position. Net position represents the amount of total assets less total liabilities.

*Statement of Revenues, Expenses, and Changes in Net Position* – This statement reflects the Fund's operating revenues and expenses, as well as nonoperating items during the reporting period. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

*Statement of Cash Flows* – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the calendar year.

### Financial Highlights

The following schedules summarize the financial position and results of operations for the Fund as of and for the years ended December 31, 2015, 2014 and 2013.

#### Summary Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015 vs. 2014</u>	
				<u>Increase/ (Decrease)</u>	<u>Increase/ (Decrease)</u>
<b>Assets</b>					
Cash and Investments	\$ 13,554,590	\$ 12,488,636	\$ 10,022,759	\$ 1,065,954	8.5%
Accounts Receivable	1,955,833	679,623	1,109,175	1,276,210	187.8%
Prepaid Items	<u>34,349</u>	<u>-</u>	<u>-</u>	<u>34,349</u>	
Total Assets	<u>15,544,772</u>	<u>13,168,259</u>	<u>11,131,934</u>	<u>2,376,513</u>	18.0%
<b>Liabilities</b>					
Other Liabilities	344,315	22,377	22,893	321,938	1438.7%
Loss Reserves	<u>1,874,351</u>	<u>1,250,017</u>	<u>1,824,826</u>	<u>624,334</u>	49.9%
Total Liabilities	<u>2,218,666</u>	<u>1,272,394</u>	<u>1,847,719</u>	<u>946,272</u>	74.4%
<b>Net Position</b>	<u>\$ 13,326,106</u>	<u>\$ 11,895,865</u>	<u>\$ 9,284,215</u>	<u>\$ 1,430,241</u>	12.0%

# BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

## Management Discussion and Analysis

### Summary Statement of Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015 vs. 2014</u>	
				<u>Increase/ (Decrease)</u>	<u>Increase/ (Decrease)</u>
<b>Operating Revenues</b>					
Assessments and Other Income	\$ 21,752,448	\$ 19,387,281	\$ 21,395,252	\$ 2,365,167	12.2%
<b>Operating Expenses</b>					
Provision for Claims	14,990,307	13,997,727	16,526,049	992,580	7.1%
Excess Insurance Premiums	1,387,223	1,280,916	1,568,618	106,307	8.3%
HMO/PPO Premiums	54,276	55,432	47,456	(1,156)	-2.1%
Medicare Advantage	407,881	521,152	201,349	(113,271)	-21.7%
General and Administrative	<u>1,518,379</u>	<u>1,477,696</u>	<u>1,428,551</u>	<u>40,683</u>	2.8%
Total Operating Expenses	<u>18,358,066</u>	<u>17,332,923</u>	<u>19,772,023</u>	<u>1,025,143</u>	5.9%
Operating Income	<u>3,394,382</u>	<u>2,054,358</u>	<u>1,623,229</u>	<u>1,340,024</u>	65.2%
<b>Nonoperating Revenues and Distributions</b>					
Equity Distribution	(2,412,751)	(1,288)	(57,725)	(2,411,463)	
Interest and Dividend Income	<u>448,610</u>	<u>558,580</u>	<u>569,948</u>	<u>(109,970)</u>	-19.7%
Total Nonoperating Revenues/Distributions	<u>(1,964,141)</u>	<u>557,292</u>	<u>512,223</u>	<u>(2,521,433)</u>	-452.4%
<b>Increase in Net Position</b>	<u>\$ 1,430,241</u>	<u>\$ 2,611,650</u>	<u>\$ 2,135,452</u>	<u>\$ (1,181,409)</u>	-45.2%

In 2015, BMED's total assets increased by 18%. The year end cash balance increased in excess of \$1 million. Liabilities increased by 75%, primarily as a result of unearned revenue resulting from dividends which will be applied to the subsequent years assessments and an increase in loss reserves. Operating revenues of the Fund increased by 12% due to changes in membership. The Fund experienced an increase of approximately \$993,000 or 7% in provision of claims and claims expense. Overall, BMED's unrestricted net position, or surplus, increased by 12%.

In 2014, BMED's total assets increased by 18%. The year end cash balance increased in excess of \$2.4 million. Liabilities decreased by 31%, primarily as a result of a decrease in loss reserves. Operating revenues of the Fund decreased by 9% due to changes in membership. The Fund experienced a decrease of approximately \$2,528,000 or 15% in provision of claims and claims expense. Overall, BMED's unrestricted net position, or surplus, increased by 28%.



# **BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**

## **Management Discussion and Analysis**

### **Economic Conditions**

The BMED continues to be affected by inflation of health benefit costs. The Fund's strategy is to continue to attempt to moderate such increases by leveraging purchasing power with other Funds, using one of the largest and most effective medical networks in the nation, and assisting members with plan design and labor negotiation efforts.

### **Requests for Information**

This financial report is designed to provide a general overview of the Bergen Municipal Employee Benefits Fund's finances for all those who are interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to PERMA Risk Management Services, 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054.

**BASIC FINANCIAL STATEMENTS**

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 6,558,522	\$ 12,488,636
Investments	6,996,068	
Receivables		
Assessments	1,664,906	594,047
Interest	2,018	
Excess Insurance	89,924	41,332
Other	198,985	44,244
Prepaid Items	<u>34,349</u>	<u>-</u>
Total Assets	<u>15,544,772</u>	<u>13,168,259</u>
<b>LIABILITIES</b>		
Liabilities		
Accounts Payable	19,357	22,377
Unearned Revenue	324,958	
Loss Reserves		
IBNR	<u>1,874,351</u>	<u>1,250,017</u>
Total Liabilities	<u>2,218,666</u>	<u>1,272,394</u>
<b>NET POSITION</b>		
Unrestricted	<u>13,326,106</u>	<u>11,895,865</u>
Total Net Position	<u>\$ 13,326,106</u>	<u>\$ 11,895,865</u>

The Accompanying Notes are an Integral Part of these Statements.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Assessments		
Employer Contributions	\$ 21,575,949	\$ 19,229,527
Employee/Cobra Contributions	<u>176,499</u>	<u>157,754</u>
Total Operating Revenues	<u>21,752,448</u>	<u>19,387,281</u>
<b>OPERATING EXPENSES</b>		
Benefits Paid To/For Participants	14,859,143	14,178,954
Excess Insurance Recoverable	(277,887)	347,471
Other Recoverables	(215,283)	46,111
HMO/PPO Premiums	54,276	55,432
Medicare Advantage	407,881	521,152
Excess Insurance Premiums	1,387,223	1,280,916
General and Administrative	1,518,379	1,477,696
Increase/(Decrease) in Loss Reserves IBNR	<u>624,334</u>	<u>(574,809)</u>
Total Operating Expenses	<u>18,358,066</u>	<u>17,332,923</u>
Operating Income	<u>3,394,382</u>	<u>2,054,358</u>
<b>NONOPERATING REVENUES</b>		
Dividend Income	442,962	557,413
Interest Income	<u>5,648</u>	<u>1,167</u>
Total Nonoperating Revenues	<u>448,610</u>	<u>558,580</u>
Change in Net Position	3,842,992	2,612,938
Net Position, January 1,	<u>11,895,865</u>	<u>9,284,215</u>
	15,738,857	11,897,153
Equity Distribution	<u>(2,412,751)</u>	<u>(1,288)</u>
Net Position, December 31,	<u>\$ 13,326,106</u>	<u>\$ 11,895,865</u>

The Accompanying Notes are an Integral Part of these Statements.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Members	\$ 20,681,589	\$ 19,421,017
Cash Paid for Claims, Premiums and Services	<u>(17,974,434)</u>	<u>(17,512,432)</u>
Net Cash Provided by Operating Activities	<u>2,707,155</u>	<u>1,908,585</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Purchase) Redemption of Investments	(6,996,068)	
Dividend Received	442,962	557,413
Interest Received	<u>3,630</u>	<u>1,167</u>
Net Cash Provided (Used) by Investing Activities	<u>(6,549,476)</u>	<u>558,580</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Equity Distribution	<u>(2,087,793)</u>	<u>(1,288)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,087,793)</u>	<u>(1,288)</u>
Net Change in Cash	(5,930,114)	2,465,877
Cash, January 1,	<u>12,488,636</u>	<u>10,022,759</u>
Cash, December 31,	<u>\$ 6,558,522</u>	<u>\$ 12,488,636</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 3,394,382	\$ 2,054,358
Adjustments:		
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assessments Receivable	(1,070,859)	33,736
(Increase) Decrease in Excess Insurance Recoverable	(48,592)	347,471
(Increase) Decrease in Other Receivables	(154,741)	48,345
(Increase) Decrease in Prepaid Expenses	(34,349)	
Increase (Decrease) in Accounts Payable	(3,020)	(516)
Increase (Decrease) in IBNR	<u>624,334</u>	<u>(574,809)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,707,155</u>	<u>\$ 1,908,585</u>

The Accompanying Notes are an Integral Part of these Statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Bergen Municipal Employee Benefits Fund (the "Fund") was established on April 1, 1992, in accordance with P.L. 1983, C. 372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey Statutes". The Fund is a self-administered group of local government entities formed for the purpose of providing employee benefits for its members. The following coverages are offered by the Fund to its members at the choice of the individual member unit.

- a) Medical
- b) Dental
- c) Prescription

Each entity assigns a Commissioner to the Fund. The Board of Commissioners (the "Board"), which governs as the executive committee, is elected and consists of five (5) commissioners and two (2) alternates. The Board also elects the chairperson and secretary who serve co-terminously with their underlying local office until January 1st of the following year.

The Board may approve subsequent membership by two-thirds vote or may terminate any member by two-thirds vote after proper notice has been given. A participant may withdraw its membership by giving appropriate notice.

The exact terms and conditions of coverage are detailed in the Fund's Risk Management Plan.

**B. Basis of Presentation – Financial Statements**

The accounts of the Fund are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, net position, revenues and expenses. The Fund's resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped by Fund Year into one generic fund.

The Fund reports the following major proprietary fund:

Enterprise Funds - The Enterprise Funds are used to account for the Fund's operations which are financed and operated in a manner similar to private enterprises, where the intent of the board is that the costs (insurance claims, administrative expenses) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges (i.e., insurance assessments).

The Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting**

The Fund utilizes the accrual basis of accounting whereby income is recorded as earned and expenses recorded as incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are assessments to government entities and former employees of those entities. Operating expenses for enterprise funds include the cost of services (i.e., adjudication and processing of insurance claims) and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Monies are disbursed solely for the payment of claims, allocated claim expenses, and excess insurance premiums by fund year for the following funds:

*Medical Fund* – Insures against any and all medical claims under the terms of the individual municipality's agreement. This fund also includes Medicare Advantage which provides medical coverage to individual municipality's Medicare eligible retirees.

*Dental Fund* – Insures against any and all dental claims under the terms of the individual municipality's agreement.

*Prescription Fund* – Insures against any and all prescription claims under the terms of the individual municipality's agreement.

*Rate Stabilization Reserve (RSR) Fund* – Provides resources to stabilize the rate to insure against unforeseen occurrences.

*Reinsurance Fund* – Provides excess insurance coverage for medical claims over the Fund's self-insured retention.

*General and Administrative Fund* – Utilized for payment of the Fund's operating expenses, loss prevention activities and various professional fees.

**Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are stated at fair value and are limited by N.J.S.A. 40A:5 et seq.

**Assessments**

Assessments are computed annually by the Executive Director and approved by the Board of Commissioners. The rates are approved annually for each type of coverage. The Executive Director bills the participating members monthly based on the entity's employee census for each type of coverage. Assessments are accrued as revenue in the Fund Year for which they are levied against.



**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Assessments Receivable**

All receivables are reported at their gross value and when appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Expenses**

Expenses are recognized in the accounting period in which the liability is incurred and measurable.

**Accounts Payable**

Purchase orders outstanding for services rendered prior to December 31 are reported as expenses through the establishment of accounts payable.

**Income Taxes**

In the opinion of management, the Fund is not subject to federal or state income taxes.

**Budgets**

An annual budget is adopted prior to the commencement of the fiscal year. Budgets are prepared using the accrual basis of accounting. The legal level of budgetary control is established by line item account and total resources available within each Fund Year. All budget amendments must be approved by the Board of Commissioners. Budget amendments during the year were insignificant. Formal budgetary integration into the accounting system is employed as a management control device during the year. Unexpended appropriations lapse at year end.

**Loss Reserves**

The Fund established claim liabilities is based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Reinsurance/Excess Insurance**

The Fund uses reinsurance insurance agreements to reduce its exposure to significant losses on insurance claims. The Fund has entered into a Joint Purchase Agreement with the Municipal Reinsurance Health Insurance Fund (MRHIF) by purchasing excess insurance with other New Jersey health insurance funds. The MRHIF provides the members of the participating health insurance funds with reinsurance. The Fund does not report excess risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

Reinsurance premiums for the years ended December 31, 2015 and 2014 were \$1,387,223 and \$1,280,916, respectively. Currently, the total claims in the medical, dental and prescription loss funds do not exceed the self-insured retention level for Fund Years 2015 and 2014.

**Unearned Revenue**

Balance of equity distribution, which was not disbursed to the members but will be utilized to offset future assessments.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Total Columns**

The combining financial statements include a total column to indicate that they are presented only to facilitate financial analysis. Interfund transactions have not been eliminated from the total column of the individual fund year combining financial statements, but have been eliminated on the basic financial statements.

**Use of Estimates**

The preparation of financial statements requires management of the Fund to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 2 CASH DEPOSITS AND INVESTMENTS**

The Fund considers cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

**Cash Deposits**

The Fund's cash deposits are insured through either the Federal Depository Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Fund is required to deposit funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)**

**Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. At December 31, 2015 and 2014, the book value of the Fund's deposits was \$6,558,522 and \$12,488,636 and bank balances of the Fund's cash and deposits amounted to \$6,619,404 and \$12,440,672. The Fund's deposits which are displayed on the statement of net position as "cash" are categorized as:

<u>Depository Account</u>	<u>2015</u>	<u>Bank Balance</u>	<u>2014</u>
Insured	<u>\$6,619,404</u>		<u>\$12,440,672</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Fund does have a policy for custodial credit risk. As of December 31, 2015 and 2014, the Fund's bank balances were not exposed to custodial credit risk.

**Investments**

The Fund is permitted to invest public funds in accordance with the types of securities authorized by New Jersey Statutes. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the New Jersey Statutes.

As of December 31, 2015 and 2014, the fair value of the Fund's outstanding investments was:

	<u>2015</u>	<u>2014</u>
U.S. Government Securities	<u>\$6,996,068</u>	<u>\$-0-</u>

Interest Rate Risk – The Fund does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State Law limits investments as noted above (N.J.S.A 40A:5-15.1). The Fund does not have an investment policy that would further limit its investment choices.

The fair value of the above-listed investment was based on quoted market prices.

**NOTE 3 UNPAID CLAIMS LIABILITIES**

The Fund has established a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 3 UNPAID CLAIMS LIABILITIES (Continued)**

The Fund has established a liability for unreported insured events. This liability includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in the aggregate reserves for the Fund for the years ended December 31, 2015 and 2014:

<u>December 31, 2015</u>	Fund Years		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Unpaid Claims and Claim Adjustment Expenses, January 1, 2015</b>		\$ 1,219,071	\$ 30,946
<b>Incurred Claims and Claim Adjustment Expenses</b>			
Provision for Insured Events of the			
Prior Years		(333,771)	(35,396)
Current Year	\$ 15,852,644	-	-
	15,852,644	885,300	(4,450)
<b>Payments</b>			
Claims and Claim Adjustment Expenses			
Attributable to Insured Events of the			
Prior Years		(857,522)	4,450
Current Year	(14,006,071)	-	-
<b>Unpaid Claims and Claim Adjustment Expenses, December 31, 2015</b>	<u>\$ 1,846,573</u>	<u>\$ 27,778</u>	<u>\$ -</u>

<u>December 31, 2014</u>	Fund Years		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Unpaid Claims and Claim Adjustment Expenses, January 1, 2014</b>		\$ 1,799,563	\$ 25,263
<b>Incurred Claims and Claim Adjustment Expenses</b>			
Provision for Insured Events of the			
Prior Years		(636,399)	(313,386)
Current Year	\$ 14,579,199	-	-
	14,579,199	1,163,164	(288,123)
<b>Payments</b>			
Claims and Claim Adjustment Expenses			
Attributable to Insured Events of the			
Prior Years		(1,132,218)	288,123
Current Year	(13,360,128)	-	-
<b>Unpaid Claims and Claim Adjustment Expenses, December 31, 2014</b>	<u>\$ 1,219,071</u>	<u>\$ 30,946</u>	<u>\$ -</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

**Receivables**

Receivables as of December 31, 2015 and 2014 for the fund's individual major funds in the aggregate are as follows. In the opinion of management the year end receivables are collectible, thus, an allowance for uncollectible accounts is not required.

**December 31, 2015**

	<u>Fund Years</u>		<u>Total</u>
	<u>2015</u>	<u>2014</u>	
Receivables:			
Assessments	\$ 1,664,906		\$ 1,664,906
Excess Insurance	69,510	\$ 20,414	89,924
Other	198,985	-	198,985
	<u>\$ 1,933,401</u>	<u>\$ 20,414</u>	<u>\$ 1,953,815</u>

**December 31, 2014**

	<u>Fund Years</u>			<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	
Receivables:				
Assessments	\$ 568,563	\$ 18,454	\$ 7,030	\$ 594,047
Excess Insurance	18,511	22,821	-	41,332
Other	44,244	-	-	44,244
	<u>\$ 631,318</u>	<u>\$ 41,275</u>	<u>\$ 7,030</u>	<u>\$ 679,623</u>

**NOTE 5 DEFICIT FUND EQUITY**

At December 31, 2015 and 2014, the following individual funds net position accounts were in a deficit position:

	<u>2015</u>	<u>2014</u>
<b><u>Fund Year 2015</u></b>		
General and Administrative Reinsurance	\$129,812 4,151	
<b><u>Fund Year 2014</u></b>		
General and Administrative Reinsurance	86,418 1,800	\$ 85,705 1,800
<b><u>Fund Year 2013</u></b>		
General and Administrative Reinsurance		147,343 7,792
<b><u>Fund Year 2012</u></b>		
Prescription Run In		131,446 222,176
General and Administrative Reinsurance		63,615 10,692

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 5 DEFICIT FUND EQUITY (Continued)**

Currently, the Fund's management has no plans to levy additional assessments to the participating municipalities to eliminate the above deficits.

**NOTE 6 MEMBERSHIP IN JOINT INSURANCE FUNDS**

The Fund is a member of the Municipal Reinsurance Health Insurance Fund (the "MRHIF"). The MRHIF is an insured and self-administered group of New Jersey health insurance funds established for the purpose of providing low-cost health insurance coverage for their respective members in the form of reinsurance. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers of the MRHIF are elected.

As a member of the MRHIF, the Fund could be subject to supplemental assessments in the event of a deficiency. If the assets of the MRHIF were to be exhausted, members would become responsible for their respective shares of the MRHIF's liabilities.

The MRHIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessments of the participating Funds for that Fund Year.

Selected financial information for the MRHIF Fund as of and for the years ended December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Total Assets	\$16,510,603	\$14,973,065
Net Position	9,707,029	10,677,285
Total Operating Revenues	10,979,054	9,343,226
Investment Income	75,067	114,327
Total Operating Expenses	9,092,417	5,560,539
Change in Net Position	(970,256)	238,680
Equity Distributions	2,931,960	3,658,334

**SUPPLEMENTARY SCHEDULES**

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2015**

	Closed Years	Fund Years		Total
	Contingency Fund	2014	2015	
<b>ASSETS</b>				
Cash	\$ 4,108,859	\$ 1,133,787	\$ 1,315,876	\$ 6,558,522
Investments	4,382,976	1,209,426	1,403,666	6,996,068
Receivables				
Assessments			1,664,906	1,664,906
Interest	1,245	230	543	2,018
Excess Insurance		20,414	69,510	89,924
Other			198,985	198,985
Prepaid Items	-	-	34,349	34,349
Total Assets	<u>8,493,080</u>	<u>2,363,857</u>	<u>4,687,835</u>	<u>15,544,772</u>
<b>LIABILITIES</b>				
Liabilities				
Accounts Payable			19,357	19,357
Unearned Revenue	324,958			324,958
Loss Reserves				
IBNR	-	27,778	1,846,573	1,874,351
Total Liabilities	<u>324,958</u>	<u>27,778</u>	<u>1,865,930</u>	<u>2,218,666</u>
<b>NET POSITION</b>				
Unrestricted	<u>8,168,122</u>	<u>2,336,079</u>	<u>2,821,905</u>	<u>13,326,106</u>
Total Net Position	<u>\$ 8,168,122</u>	<u>\$ 2,336,079</u>	<u>\$ 2,821,905</u>	<u>\$ 13,326,106</u>



**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Closed Years	Fund Years		Total
	Contingency	2014	2015	
	Fund			
<b>OPERATING REVENUES</b>				
Assessments				
Employer Contributions		\$ (3,185)	\$ 21,579,134	\$ 21,575,949
Employee/Cobra Contributions	-	-	176,499	176,499
Total Revenues	-	(3,185)	21,755,633	21,752,448
<b>OPERATING EXPENSES</b>				
Benefits Paid to/for Participants	\$ (4,450)	857,522	14,006,071	14,859,143
Excess Insurance Recoverable		(208,377)	(69,510)	(277,887)
Other Recoverables			(215,283)	(215,283)
HMO/PPO Premiums			54,276	54,276
Medicare Advantage			407,881	407,881
Excess Insurance Premiums			1,387,223	1,387,223
General and Administrative		713	1,517,666	1,518,379
Increase/(Decrease) in Loss Reserves				
IBNR	(30,946)	(1,191,293)	1,846,573	624,334
Total Expenses	(35,396)	(541,435)	18,934,897	18,358,066
Operating Income	35,396	538,250	2,820,736	3,394,382
<b>NONOPERATING REVENUES</b>				
Dividend Income	181,620	261,342		442,962
Interest Income	3,769	710	1,169	5,648
Total Nonoperating Revenues	185,389	262,052	1,169	448,610
Change in Net Position	220,785	800,302	2,821,905	3,842,992
Net Position, January 1, 2015	10,360,088	1,535,777	-	11,895,865
	10,580,873	2,336,079	2,821,905	15,738,857
Equity Distribution	(2,412,751)	-	-	(2,412,751)
Net Position, December 31, 2015	\$ 8,168,122	\$ 2,336,079	\$ 2,821,905	\$ 13,326,106

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Closed Years	Fund Years		Total
	Contingency	2014	2015	
	Fund			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Members	\$ 25,484	\$ 565,378	\$ 20,090,727	\$ 20,681,589
Cash Paid for Claims, Premiums and Services	27,271	(629,894)	(17,371,811)	(17,974,434)
Net Cash Provided (Used) by Operating Activities	52,755	(64,516)	2,718,916	2,707,155
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net (Purchase) Redemption of Investments	(4,382,976)	(1,209,426)	(1,403,666)	(6,996,068)
Dividend Received	181,620	261,342		442,962
Interest Received	2,524	480	626	3,630
Net Cash Provided (Used) by Investing Activities	(4,198,832)	(947,604)	(1,403,040)	(6,549,476)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Equity Distribution	(2,087,793)	-	-	(2,087,793)
Net Cash Provided (Used) by Noncapital Financing Activ.	(2,087,793)	-	-	(2,087,793)
Net Change in Cash	(6,233,870)	(1,012,120)	1,315,876	(5,930,114)
Cash, January 1, 2015	10,342,729	2,145,907	-	12,488,636
Cash, December 31, 2015	\$ 4,108,859	\$ 1,133,787	\$ 1,315,876	\$ 6,558,522
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 35,396	\$ 538,250	\$ 2,820,736	\$ 3,394,382
Adjustments:				
Changes in Operating Assets and Liabilities				
(Increase) Decrease in Assessments Receivable	25,484	568,563	(1,664,906)	(1,070,859)
(Increase) Decrease in Excess Insurance Recoverable	22,821	(1,903)	(69,510)	(48,592)
(Increase) Decrease in Other Receivable		44,244	(198,985)	(154,741)
(Increase) Decrease in Prepaid Expenses			(34,349)	(34,349)
Increase (Decrease) in Accounts Payable		(22,377)	19,357	(3,020)
Increase (Decrease) in IBNR	(30,946)	(1,191,293)	1,846,573	624,334
Net Cash Provided (Used) by Operating Activities	\$ 52,755	\$ (64,516)	\$ 2,718,916	\$ 2,707,155

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
HISTORICAL OPERATING RESULTS  
FROM INCEPTION THROUGH DECEMBER 31, 2015**

	Closed Years	Fund Years	
	Contingency Fund	2014	2015
<b>UNDERWRITING INCOME</b>			
Assessments	\$ 417,188,890	\$ 19,226,342	\$ 21,579,134
Other Income (Except Investments)	1,401,638	157,754	176,499
	<u>418,590,528</u>	<u>19,384,096</u>	<u>21,755,633</u>
<b>INCURRED LIABILITIES</b>			
Claims			
Paid	355,829,664	13,966,932	13,989,773
Excess Insurance Recoverable and Other Recoverables		(20,414)	(268,495)
Loss Reserves	-	27,778	1,846,573
	<u>355,829,664</u>	<u>13,974,296</u>	<u>15,567,851</u>
Limited Incurred Claims			
	<u>355,829,664</u>	<u>13,974,296</u>	<u>15,567,851</u>
<b>EXPENSES</b>			
Excess Insurance Premiums	19,662,117	1,280,916	1,387,223
HMO/PPO Premiums	3,268,122	55,432	54,276
Medicare Advantage	201,349	521,152	407,881
General and Administrative	31,776,654	1,478,394	1,517,666
	<u>54,908,242</u>	<u>3,335,894</u>	<u>3,367,046</u>
Subtotal Expenses			
	<u>54,908,242</u>	<u>3,335,894</u>	<u>3,367,046</u>
Total Incurred Liabilities	<u>410,737,906</u>	<u>17,310,190</u>	<u>18,934,897</u>
<b>UNDERWRITING SURPLUS</b>	7,852,622	2,073,906	2,820,736
Investment/Dividend Income	5,476,474	262,173	1,169
	<u>13,329,096</u>	<u>2,336,079</u>	<u>2,821,905</u>
<b>GROSS STATUTORY SURPLUS</b>			
Equity Distribution	(5,160,974)	-	-
<b>NET STATUTORY SURPLUS</b>	<u>\$ 8,168,122</u>	<u>\$ 2,336,079</u>	<u>\$ 2,821,905</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
STATEMENT OF BUDGETARY EXPENSES  
FUND YEAR 2015**

<u>Account Description</u>	<u>Modified Budget</u>	<u>Expenses</u>	<u>Loss Reserves</u>	<u>Variance Excess/ (Deficit)</u>
Medical	\$ 15,146,899	\$ 11,381,877	\$ 1,660,194	\$ 2,104,828
Dental	1,622,544	1,435,193	124,881	62,470
Prescription	1,649,742	904,208	61,498	684,036
HMO/PPO Premiums	54,276	54,276		
Medicare Advantage	407,829	407,881		(52)
Reinsurance	1,386,614	1,387,223		(609)
General and Administrative				
Claims Administration	515,317	510,502		4,815
Administrator	244,968	246,393		(1,425)
Legal	27,500	27,500		
Actuary	36,822	36,822		
Auditor	17,500	17,496		4
Treasurer	17,831	17,831		
Risk Management Consultants	384,485	384,195		290
Employee Benefit Consultant	140,729	155,716		(14,987)
Board Advisor	12,000	12,000		
Miscellaneous/Contingency	134,585	109,211	-	25,374
	<u>\$ 21,799,641</u>	<u>\$ 17,088,324</u>	<u>\$ 1,846,573</u>	<u>\$ 2,864,744</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
PROGRAM SUMMARY  
FUND YEAR 2015**

	Coverages		
	<u>Medical</u>	<u>Dental</u>	<u>Prescription</u>
Limits:			
Specific	Unlimited	N/A	Unlimited
Aggregate	\$ 10,000,000	N/A	\$ 10,000,000
Fund Retention:			
Specific	225,000	N/A	225,000
Aggregate	17,792,800	N/A	3,188,816
Excess Insurers	Municipal Reinsurance Health Insurance Fund		
Number of Governmental Entities	12	26	9
Limited Incurred Claims	<u>\$ 13,042,071</u>	<u>\$ 1,560,074</u>	<u>\$ 965,706</u>
Exposure Units:			
Eligible Employees (1)	834	1,782	484
Limited Incurred Claims/Units	\$ 15,638	\$ 875	\$ 1,995

(1) Based on December 31, 2015 Census

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION  
FUND YEARS 2005 THROUGH 2015**

	Fund Years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Earned Required Contribution and Investment Revenue	\$ 16,917,055	\$ 19,879,689	\$ 22,793,578	\$ 24,663,035	\$ 22,550,672	\$ 19,775,803	\$ 20,735,363	\$ 21,865,205	\$ 19,646,269	\$ 21,756,802
Unallocated Expenses	2,619,778	3,054,091	3,597,406	3,754,052	3,630,232	2,865,908	2,785,665	3,242,428	3,335,181	3,367,046
Estimated Incurred Claims and Expenses, End of Policy Year	13,790,845	17,035,594	19,975,985	21,056,306	20,039,554	16,541,764	17,337,047	16,841,029	14,516,444	15,567,851
Paid (Cumulative) as of:										
End of Initial Year	12,155,379	15,193,130	17,855,985	19,016,448	18,119,554	15,522,864	16,128,759	15,224,219	13,360,128	13,989,773
One Year Later	13,535,917	16,375,469	19,429,656	20,663,997	19,779,519	17,214,160	17,170,710	16,356,437	13,966,932	
Two Years Later	13,590,894	16,375,469	19,429,656	20,663,997	19,779,519	17,214,160	16,882,587	16,356,437		
Three Years Later	13,590,894	16,375,469	19,429,656	20,663,997	19,779,519	17,214,160	16,882,587			
Four Years Later	13,590,894	16,375,469	19,429,656	20,663,997	19,779,519	17,214,160				
Five Years Later	13,590,894	16,375,469	19,429,656	20,663,997	19,779,519					
Six Years Later	13,590,894	16,375,469	19,429,656	20,663,997						
Seven Years Later	13,590,894	16,375,469	19,429,656	20,663,997						
Eight Years Later	13,590,894	16,375,469	19,429,656	20,663,997						
Nine Years Later	13,590,894	16,375,469	19,429,656	20,663,997						
Reestimated Incurred Claims and Expenses										
End of Policy Year	13,790,845	17,035,594	19,975,985	21,056,306	20,039,554	16,541,764	17,337,047	16,841,029	14,516,444	15,567,851
One Year Later	13,564,793	16,415,469	19,509,656	20,693,997	19,210,364	16,788,000	16,899,568	16,364,562	13,974,296	
Two Years Later	13,590,894	16,415,469	19,509,656	20,693,997	19,210,364	16,788,000	16,882,587	16,364,562		
Three Years Later	13,590,894	16,415,469	19,509,656	20,693,997	19,210,364	16,788,000	16,882,587			
Four Years Later	13,590,894	16,415,469	19,509,656	20,693,997	19,210,364	16,788,000				
Five Years Later	13,590,894	16,415,469	19,509,656	20,693,997	19,210,364					
Six Years Later	13,590,894	16,415,469	19,509,656	20,693,997						
Seven Years Later	13,590,894	16,415,469	19,509,656	20,693,997						
Eight Years Later	13,590,894	16,415,469	19,509,656	20,693,997						
Nine Years Later	13,590,894	16,415,469	19,509,656	20,693,997						
Increase (Decrease) in Estimated Incurred Claims and Expenses From End of Initial Year	(199,951)	(620,125)	(466,329)	(362,309)	(829,190)	246,236	(454,460)	(476,467)	(542,148)	-

Note: In the third or fourth year of the above Fund Years, the Board created a Closed Years Contingency Fund, which consolidated the prior year open Fund Years. As a result, the above individual Fund Years have not been updated to report the respective transactions for years three to ten.



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Bergen Municipal Employee Benefits Fund  
9 Campus Drive, Suite 216  
Parsippany, New Jersey 07054

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Bergen Municipal Employee Benefits Fund, as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the Bergen Municipal Employee Benefits Fund's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 19, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Bergen Municipal Employee Benefits Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Bergen Municipal Employee Benefits Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bergen Municipal Employee Benefits Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

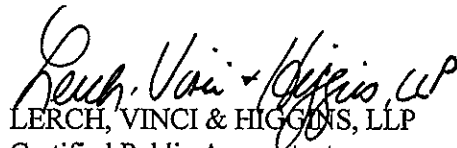
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Bergen Municipal Employee Benefits Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bergen Municipal Employee Benefits Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen Municipal Employee Benefits Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
May 19, 2016



**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

*Part I – Summary of Auditor’s Results*

**Financial Statements**

Type of auditors' report issued on financial statements	<u>Unmodified</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	_____ yes	<u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none
Noncompliance material to the financial statements noted?	_____ yes	<u> X </u> no

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Paragraph 5.18-5.20 of *Government Auditing Standards*.

There are none.

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

This section identifies the status of prior-year findings related to the financial statements that are required to be reported in accordance with Paragraph 6.12 of *Governmental Auditing Standards*.

**STATUS OF PRIOR YEAR FINDINGS**

There were none.

COMMENTS AND RECOMMENDATIONS

There are none.

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ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the Fund and we greatly appreciate the courtesies extended to us.

*Paul Vinci - Higgins, LLP*  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants